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# Germany as client of the world

## A Memoir on the Problem of Foreign Trade and Transfer Payments

Buy German goods and
Germany will buy your goods!

ca 1934 Nürnberg

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**The author reserves the right to deal at length with this important international question in a book on Hitler-Germany now in course of preparation.**

**BUREAU D'EDITIONS ET DE PRESSE**

GENÈVE, LE August 1st, 1934
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Open Letter

In my capacity as foreign correspondent and political writer, who has been able to observe personally the political and economic events of the post-war-time, I have readily acceded to the general wish for a short and clear account of the important problem of German foreign trade and the system of transfer payments. I undertake this task, chiefly with a view to convincing public opinion abroad that Germany will only be able to meet its private obligations and purchase foreign raw materials if foreign markets are willing to accept German manufactured articles.

Political motives and private interests have hitherto always tried to veil this truth and even to distort it by harping on the worn out slogan: " Germany does not intend to pay." - To dissipate this prejudice as far as possible, is the aim of the following pages, which are dictated from a strictly neutral standpoint.

( S P E C T A T O R )

1.

## Germany's Capital losses through the World War.

The unavoidable and universal consequence of the World War has been the economical crisis which hit especially the old Continent but reached its culminating point in Germany. The annihilation of material wealth and of labour power which the War brought about, must logically produce a depression of the entire activity and a distressed condition that requires a long period of reconstruction. To these factors of a general character, the special reasons which can be summed up in the word "Versailles" have come in addition for Germany.

The statesmen who, in the year 1919, gathered together in the Hall of Mirrors of the old palace of the French monarchs, to draw up the socalled „Peace Treaty" for Germany, had not come there in a spirit of conciliation and with the intention of building up in the battered Europe a new era of peace and prosperity. Standing upon the one-sided assumption that Germany alone was responsible for the War, they spent months trying to discover a safety formula against the supposed disturber of the peace. This formula was not realized solely by the radical disarmament of Germany, but is was further extended to the economic ruin of Germany, an aim which could certainly have been achieved if not the inborn strength of the German people and its obstinate endeavours had worked against it.

The entire area of the Reich which comprehended in 1914 some 541,000 square kilometers suffered a loss of 71,000 kilometers, that is to say, one eighth of its former territory. A population of 67.8 millions of Reich Germans sank by 6.4 millions, that is to say, Germany lost one tenth of its former Reich-population. In the eastern and northern parts of the Reich, 3.5 million Germans were, entirely against their own will dispossessed of their German nationality, in

order to wrench from the alleged German yoke about 3 million non-German citizens of the Reich. Everywhere in the lost territories, the Germans had been the chief bearers of culture and in those places where they formed the numerical minority they constituted the educated and well-to-do part of the population. They were the pillars of trade, industry and craft.

Because of their rich forest areas and extensive zinc ore deposits, the provinces of Eupen and Malmedy were given to Belgium, because of their numerous prosperous cities, their large ore deposits, potash mines and consolidated German textile industry Alsace and Lorraine were delivered up to France. In the provinces of Posen and West Prussia upwards of 1.4 million Germans came under Polish rule, because Poland had to have an access to the sea. East Prussia was thereby cut off from the rest of the Reich; Danzig and the Memel Territory were placed under an alien administration. All this she suffered, not to mention North Schleswig where although 80 percent of the inhabitants of the second plebiscite zone voted in favour of Germany, a new frontier was laid, which incorporated 40,000 Germans into Denmark.

But Upper Silesia suffered the greatest injustice. Here, without a plebiscite, 511 square kilometers of German soil, mainly agrarian land, were made over to Poland. The fertile little Hultschiner Region with its rich coal mines, was adjudicated to Czechoslovakia entirely against the will of its 50,000 inhabitants. In the Upper Silesian industrial region, a plebiscite resulted in a 59.8 per cent votes in favour of Germany. Nevertheless in pursuance of a decision taken by the Ambassadors' Conference in Paris, the Upper Silesian area was divided between Germany and Poland. The new frontier arbitrarily severed economic areas that had become organic units, even cut through houses, industrial premises and lines of communication. And the upshot? Germany's resources of coal were here reduces from 56,500 million tons to 8,670 millions tons, of zinc ore and lead ore to 11 millions; 67 coal mines were reduced to 14; 37 blast furnaces to 15; 15 zinc and lead mines to 5. Of the coal output which for instance amounted to 46.2 million tons a year in all Upper Silesia, only 39 percent fell to the lot of German West Upper Silesia, but to Polish East Upper Silesia, 61 per cent.

The Saar Statute provided that the German coal mines near the French frontier along the Saar should be incorporated into the French customs-district. The government of the Saar territory was placed

In the hands of a commission appointed by the League of Nations to whom it was answerable. French money became the currency of the Saar territory. These arrangements were dictated for a period of 15 years, precisely at a time when Germany was urgently in need of these sources of raw material for the task of national reconstruction.

On the accusation of an inability to colonize and on grounds of alleged ill-treatment of the native population, Germany was robbed of her oversea-colonies whence she obtained unportant raw materials for her factories and which offered a vast tract of soil for the settlement of her surplus population. The seizure of her colonies was made still more bitter for Germany in that they were placed under the sovereignty of the League of Nations whereby the enormous value of these territories was not included in the reparations' account. Upwards of eight 8.000.000.000 marks worth of German private property abroad was liquidated without any compensation.

All these losses Germany's national wealth suffered at one blow on the day of the signing of the Versailles dictate.

2.

## Further pauperisation caused by the inflation and reparation payments.

The inflation inflicted considerable damage upon the national wealth and shook German business to its amount deepest foundations. During the war, Germany had raised internal loans to the amount of about 150,000 million marks which might have been repaid from the excessive profits of post-war speculation, had the goverment of the Weimar system set about this task in an energetic fashion. Instead of which the outside world was permitted to more and more to break down the value of German currency and to purchase German bonds at a fraction of their gold value.

In this way a still greater part of Germany's national property passed across the frontier without any equivalent return. The middle classes saw themselves obliged to sell their goods, which had been manufactured at the greatest sacrifice during the post-war period, for paper money with which they were unable again to purchase raw materials simply because, a few hours later, the paper money had been depreciated to a mere fraction of its value. Thus those

sections of the population became impoverished which had always represented the reserve force of Germany's national strength, namely, the petty industrialist, the small business man, the artisan and the farmer. By the end of 1923, when the mark was finally stabilized, the dollar in Germany had reached the value of one billion paper marks, and an unexampled new impoverization of Germany was the result.

The reparation payments contributed a great deal to this inflation. According to the latest official estimates, up to August 31, 1924, that is, after the first months of the new stabilized currency and prior to the inauguration of the Dawes Plan, Germany had already paid 42,059 million marks in tribute. Nevertheless, the life blood was further drawn from German economy. In addition to the above sum, the German people had to make other tremendous payments, for instance:

7,993 millions on the basis of the Dawes Plan, and
3,103 millions on the basis of the Young Plan,

the vast remittances arising out of the German-American and the German-Belgian debt conventions, thus, making a total, up to June 30, 1931, of 53,155 million marks. Yet even this startling figure by no means covers the entire amount of the German tribute services. In the first place, a further 14,518 million marks have to be added under the heading „other services", for instance, the cost of upkeep of the armies of occupation, the cost of military disarmament, inclusive of the scrapped fleet, cost of industrial disarmament, frontier regulation, expenses of the inter-allied commission, administrative expenses, and so forth. Hence we get the almost fantastic sum of 67,700 million marks which does not include, it should be again stressed, the value of the ceded territories and the colonies. Furthermore, it does not take into consideration the indirect damages and loss arising out of the enforced transfers of German property. The value of the stolen colonies alone is estimated by Reichsbank president Dr. Schacht at between 80,000 to 100,000 million marks.

3.

## Germany's Foreign Debts.

The Dawes Plan had the effect of enticing foreign capitalists to invest in Germany huge sums of money which were absorbed by German industry and gave, for the time being, the illusion of a certain

degree of prosperity. The heavy strain of the reparation services which, as Hitler cogently expressed it in a notable speech, called for 80 marks a second, 4800 marks a minute and 288,000 marks every hour, now seemed somewhat less oppressive since the general public quite failed to realize that the reparations henceforth were being paid with borrowed money. According to the report of the International Committee which had been set up on the recommendation of the London Conference of 1931, the amount of foreign capital that flowed into Germany during the period 1924—1930 totalled 18,200 million marks whereof a large portion was used for re-investments in the shape of new plant, new factory buildings, but particularly for the erection of dwellings. These new buildings however, were far too costly in relation to the potential income from the old buildings. This was a deplorable blunder of the Weimar system which even proceeded to spend liberally on the erection of new government buildings, a procedure quite out of harmony with the sad impoverishment of the whole country after the war and inflation. German industry extended its equipment in the expectation of being able to increase its foreign sales, without investigating the actual sales'possibilities on these foreign markets in countries which themselves were afflicted with armies of unemployed and which had created during the war in many spheres industrial plants of their own.

But the greatest error of all was the way they set about absorbing huge short-term loans in the hope of being in the position to repay them from the expected profits that would result from the augmented and rationalized production. This illusion very soon vanished and these short-term loans brought about at the moment of their prolongation-terms, even new and heavy interest burdens.

On the other hand, all these foreign loans placed Germany in a position enabling her to bear the tremendous reparation services. This foreign money, which Germany received from the outside world in the shape of loans, was converted within Germany into marks and began to find its way into the vaults of the Reichsbank. The latter used this money only in part for the purpose of purchasing gold abroad or assisting German importers to buy foreign goods and raw materials. As much as 10,300 millions of this invested money was again withdrawn from German industry by way of industrial taxation, transport and other levies, and paid back to the outside world without return of any sort. As a result of this artificial course, reparations were, in reality not paid out of Germany's own resources

at all, but were merely converted into private debts to foreign countries. It was thought at the time that this would place the outside world under the necessity of purchasing German goods whereby Germany would once more become the biggest supplier of manufactured articles on the markets of the world.

The practical result was, however, what really happened that when the big German bank crash occurred in July 1931, these foreign creditors suddenly withdrew their money, leaving German industry with the burden of a huge foreign debt which was no longer political, but represented the private demands of foreign firms. Thus, a very serious situation arose for Germany which now has to pay to foreign countries more than 600 million marks in interest for the long-term investments and at least an equivalent sum for the interest and repayments of the short-term loans.

4.

## The Dwindling Production.

We have said that it was a tremendous blunder on the part of the governments of the Weimar system to base its actions on the belief that Germany would be able to increase the volume of its export trade by enlarging its means of production. The war had compelled the other countries to seek industrial self-sufficiency and when the conflict came to an end this process of development could practically be considered as almost ended. Some of the countries which were not yet completely equipped industrial, now began to purchase machinery on a larger a larger scale with a view to producing with them their own arxicles of common use. Futhermore, in order to safeguard their new industries — and this is still more important — they erected high tariff walls. Many former customers of Germany now soon became competitors. Germany's leading business-men made, in these days, all possible efforts to further the export trade, endeavours which met sometimes with success, but then it was generally at the cost of the domestic trade. The outside world was thus enabled to build factories to be paid for out of Germany's reparation services and to equip these new factories with the best and most up-to-date German machines. For a period of a year of two, Germany was able to maintain her position in world trade, as far as volume of trade was concerned, that she had

in the pre-war years, but the value of the turnover was much lower. On the home market, on the other hand, German manufacturers found difficulty in selling their goods because foreign commodities, produced at a much lower wage, were obtainable within the Reich at lower prices than German commodities.

Under the Brüning régime, an attempt was made to regain the lost markets by wage reductions designed to lower the cost of production. But this merely resulted in a weakening of the domestic market in consequence of the diminished purchasing power of employees and workers, so that Germany's industrial output sank in volume about 40 per cent, from 1929, at its peak, to 1932 when the Brüning government fell. Still more pronounced was the decline in the value of the production: the monthly average of the gross production of German industry gradually declined from 7,000 million marks in 1928 to 3,500 millions, that is to say, a decline of 50 per cent. The total wages of workers, employees and civil servants dropped from an estimated figure of 43,000 million marks in 1929 to 33,000 millions in 1932, that is, practically 25 per cent. A decline of this nature is unique in the history of industrial depression. The rising wave of insolvencies swept away even long-established and well-managed business undertakings. As an instance for many, it might be well to cite the case of the firm of Borsig, Ltd. in Berlin, which had to suspend payment on December 18, 1931. The number of bankruptcies which were regulated by an agreement, after the matter had been taken into the law courts, rose from 14,739 in the year 1929 to 18,402 in the year 1930 and to 22,098 in the year 1931.

The thus inevitable resultant increase in unemployment in this period presents a tragic picture: the average total number of unemployed was in the year

| | | |
|---|---|---|
| 1927 . . . . . | 1.3 | millions |
| 1928 . . . . . | 1.7 | „ |
| 1929 . . . . . | 2.0 | „ |
| 1930 . . . . . | 3.5 | „ |
| 1931 . . . . . | 4.4 | „ |

and even exceeded six millions in the year 1932. This latter figure means that more than one fourth of the total number of German workers and employees, namely 21 million, was without employment moreover, about 3 million workers were on part time. It is computed

that, when one includes the wives and adult children of the workless, about 20 million persons, or ⅓ of the entire German population was directly suffering from unemployment at the time when Hitler came into power. The German government, in those days, had to appropriate the almost incredible sum of 3,000 million marks annually for the altogether insufficient and humiliating maintenance of this huge army of unemployed.

5.

## How the Strain of Reparations affected German finances.

One of the main consequences of the Versailles dictate was that the tribute services and war debt payments, which have so hampered the life of all nations, caused the flow of international capital to take a direction which was directly counter to the natural flow of commodities. France, for example, became the chief tribute creditor of Germany, just as the United States of America had become the chief creditor power in the world. Parallel with this development, moreover, Germany was compelled to purchase from France iron ore mined in Lorraine, and copper and wool from America. Thus, the creditors who, prior to the war, were accustomed to receiving their interest payments in the form of the commodities of the debtor countries, now wanted to have their demands paid out to them in gold. At the same time they wanted to continue to sell their own goods to their debtors. The logical result was that an almost general collapse of currencies set in and statesmen were compelled to resort to all possible measures to prevent a further drain upon their national gold reserves.

In Germany, who had to meet the tremendous reparation services without receiving anything in return and had to bear the additional burden of short-term debts, the bank crisis broke out in the summer of 1931. Similar occurrences were very soon observable in the United States, France, Switzerland and other countries.

In a speech delivered on January 26 of this year before a gathering held in Kiel at the Institute for International Economic Research, Reichsbank president Dr. Schacht stressed the argument that the "reasons for the crisis lies in the fact that, encouraged by the senseless post-war, policy of the victor powers, all the sane laws of banking, had been disregarded and the first rules of finance and

credit with which every bank clerk has to grow familiar in the first years of his apprenticeship, had been entirely ignored. That one cannot create more money than is needed to maintain the traffic in goods and services, that money merely represents commodities though it is not itself a commodity, that short-term loan money must not be invested on long-term, that gold not currency, is the appropriate medium for making international payments since currency is a national institution, that a long-term money demand is not made liquid by the fact of its being converted into the form of a bill of exchange — all these elementary principles of banking and credit usage have been knocked over under the pressure of a policy that has sought to get more out of the vanquished than the latter is able to achieve.

Since, for economic reasons, the United States are not willing to undertake the stabilization of the dollar, it has hitherto been impossible to arrive at any sort of international accord in the currency question. Consequently, even countries still adhering to the gold standard, France in particular, have been forced into adopting a defensive attitude despite the fact that most of them have a gold cover of more than 75 per cent. The countries with compulsorily regulated currencies or with depreciated currencies without gold reserves — and these countries claim more than half the world's population — are now no longer in a position to adjust their currency policy to gold and they do not wish to lead their people still further into the slough of the economic depression.

Under these circumstances the new Germany has, in this field too, taken its fate into its own hands. The Reichsbank holdings of foreign exchange at the end of the year 1931 (after the crisis) amounted to 1,156 million marks. This dwindled to 920 million marks in the following year, and further to 395 millions at the end of 1933. This last decline had its origin primarily in the repayment in April 1933 of the remainder of the foreign loans taken up in June 1931 (70 million dollars) and by the German Disconto Bank in June 1933 (45 million dollars). These loans merely served from the outset to bring about an improvement in the note coverage; thus their re-payment did not tend to weaken Germany's ability to meet its foreign obligations; on the contrary, it helped to strengthen Germany's financial position. Her weakened Position in the foreign exchange, noticeable for a long time, now became obvious to everybody. The further decline of the position was explicable by the fact that foreign exchange bills no longer found their way into Germany whereas, on the other

hand, foreign exchange bills are necessary for the purchase of raw materials and for meeting the foreign debt demands.

In order to stop this decline, the Reich government undertook to regulate the transfer of foreign debt services. To this end a bill was passed on June 9, 1933, concerning the payment of money abread, thereby imposing an obligation upon the German debtor from July 1 onwards, to make settlement of all foreign demands (inasmuch as they originated prior to the July crisis of 1931 and insofar as they do not fall under the terms of the Standstill agreement) in Reichsmarks into the Conversion Account for the Settlement of Foreign Debts set up under the supervision of the Reichsbank. The Reichsbank was pledged by the law to determine when payments with respect to goods acquired from a foreign creditor should be made into the Conversion Account. After giving a detailed explanation of this whole operation to the representatives of the foreign creditors who clearly recognized as being in their own interest the need for strengthening the gold and foreign exchange position of the Reichsbank, the latter institute decided to suspend the transfer of redemption payments and to transfer only half the amount of interest and dividend payments falling due in the second half of the year 1933, but not to exceed 4 per cent annually. Special arrangements were made with regard to the Dawes and Young loans. The creditors' further demands for interest were met by the issuance of non-interest bearing scrip in the form of certificates varying in value from 5 to 100 marks. In order to give the holders of this scrip a possibility of putting them to use, and, at the same time, presenting German export trade with additional possibilities of export in competition with countries having a depreciated currency, the negotiation of the scrip was centralized in the hands of the German Gold Disconto Bank which, on its part, purchased scrip from foreign holders at half the nominal value and offered it to German exporters. From Jan 1, 1934, they have bought scrip at about ¾ nominal valtue.

The legislation of June 12, 1933, which defined the law against the betrayal of German economic interests, presented the owners of capital and even tax-evaders with a final opportunity to declare the existence of secreted property abroad and to exchange hoarded foreign exchange bills for marks. Owing to the consolidation of the domestic political situation and, to the rigorous nature of the punishment that threatened those who did not conform to it, the upshot of this law (decree) was that foreign exchange to the amount of approximately

100 million marks were delivered up to the Reichsbank. Nevertheless, inclusive of this special source, the Reichsbank's stocks of gold and coverable foreign exchange increased in the second half of the year 1933 only from 120 million marks to 395 millions.

Apart from further measures in the domain of foreign exchange regulation, the frontier control became more strict and even the at times more frequent emigration, a result of the political revolution and which brought about a considerable export of goods, was made subject to this foreign exchange regulation. Yet despite these precautions and the far-seeing financial measures adopted by the Reichsbank president Dr. Schacht, Germany has because of the further considerable decline in coverage practically no possibility of buying foreign exchange or gold.

6.

## The National Socialist industrial policy and its fight against unemployment.

As is apparent from the above account, Adolf Hitler, on taking control, was faced in all spheres of national life, but particularly in the realm of industry, with a multitude of urgent tasks. He confronted the necessity of creating without delay a solid base for the reconstruction of national life. In his speech of May 1, 1933, delivered on the May Day Labour Festival, he announced to the German nation his program which consisted of three great tasks: to overcome the evils of a pernicious past, to fulfill the present need of state and people and to safeguard the economic future of his fatherland. But the Führer said: "German People! Do not imagine that the solution of the problem of work-creation lies in the stars. Each one of you must help to solve it. With forethought faith, you must do everything that will help to create work. Every contractor, every house-owner, every business-man, everyone of you has the duty to create work within his own means. Above all, everyone of you has the duty to keep German labour constantly in mind."

It must be conceded that the German people has responded in a remarkable way to this eppeal of its leader. The eighteen months during which Adolf Hitler has borne the responsibility of German

people's destiny certainly, only a short space of time compared with the magnitude of the tasks. Nevertheless, the successes that have been achieved are an inducement to strike the balance of the accomplished historical facts. The foreigner who returns to Germany today and makes a tour possibly in the Rhenish-Westfalian industrial districts, the Saxon industrial area, the manufacturing suburbs of Berlin or, for that matter, in any of the territories to which industrial activity gives its stamp, will doubtlessly get the impression even outwardly of a general recuperation of national life. He will be able to ascertain that many factories that had been closed down have now resumed operations, that the chimney stacks are again smoking, that hundreds of thousands of abandoned working-benches that many wharves and dock-yards are again presenting, are again engaged, scenes of busy activity and that delapidated housefronts and factory façades have been entirely renovated. He will in short, feel that the industrial coma that was still apparent about eighteen months ago, has been resolved into a new flow of life and a development that presents a heartening picture of joyful initiative.

From official statements the following decisive facts, may be gathered: The number of unemployed had increased in the last years of the German parliamentary regime by 3 millions, mounting in truth from 3 millions at the beginning of 1930 to 6 millions in January 1933. In the eigtheen months of the national socialist regime, this figure has on the contrary decreased by more than 3.8 millions, and the number of persons in work, at the moment of writing this, has reached 15,559,000. Especially significant is the fact that the employment figure shows for the two months March and April an increase of 595,000 over the decline in unemployment. This plainly indicates that, in the spring months, numerous persons who were without insured jobs during the winter, but found occupation of some sort, so that they kept themselves of the dole, have now either been absorbed in the industry or have reported at the labour bureaus in the justifiable hope of finding jobs as the result of the improvement in the labour market. The considerable increase in the number of employed against the decline in the number of unemployed during the month of April indicates that industry has been able to absorb to a commensurate degree the youths who left school at Easter, and were, as early as April, absorbed in the new industrial activity.

This, however, is not the only statistical evidence of the recuperation of German industrial life, since the figures for production,

transport, finance, and the especially indicative figures for bankruptcies and suspensions of payment, show quite plainly the nature of the transformation that has ocurred during this period. From the latest publications of the Institute for Conjuncture Research in Berlin, it is apparent that the German industrial output has increased by nearly 25 per cent, or as regards value, by additional 1,000 million marks each month. Certain branches of industry — for instance, the manufacturing industry, the automobile industry, etc. — show a considerable increase above the average, a fact that is in keeping with the nature of this development, while the recovery in those spheres of the national industrial life which are not so greatly affected by business cycles, has just begun to reveal itself and will guarantee with almost mathematical certainty the continuance of this general upward trend.

As to capital market, it is worth noting that several leading shares bearing fixed interest have now risen considerably above 90 per cent and are approaching par. This means that the prospects for an organic reduction of the rate of interest have become much greater than they were at the moment when the national socialist government first came into power, and incomparably greater than in the year 1932.

How has it been possible to bring about such a change, partlcularly in the face of the terrible collapse of German industrial life the preceding years?

Firstly it has been brought about by the restoration of the German's confidence in his leader which has given him a new courageous outlook and — translated into economics — a new spirit of enterprises — in place of the dismal hopelessness and despair which had taken possession of the greater part of the nation prior to the revolution. Through the willing sacrifice and joyful cooperation of every German, the Chancellor has been able to point the way and to approach the goal of workcreation. Furthermore, technical improvements have been brought into action to realize the program.

In order to get as many of the unemployed as possible off the streets and thereby bring about a revival of purchasing power, and to give industry a new impetus, the national socialist government drew up a great program of additional works to be financed by public funds. Care was taken to see that such tasks were selected that would not merely create work but would at the same time improve the general condition of the national economy or improve the general

condition of the standard of living. Thus, the productivity of the German soil was increased through numerous land improvement projects, river regulation projects and so forth, and at the same time, the creation of extensive new rural settlements provided a basis for national recuperation. Transport conditions were improved by the construction of new roads and canals (Adolf-Hitler-Canal, etc.) by the betterment of the State Railways and Post Office. Particularly productive, moreover, is the work of renovation and extension of plant in all public uitilities. Note worthy among these is the long-distance water-supply fed by reservoirs in the Harz-Moutains, and servicing the northern lowlands as far as Bremen.

To bring about a revival of the building industry, schemes have been inaugurated for the erection of modern houses, designed in accordance with popular demand and hygienic principles. This will include the building of garden cities, one-family homes and small-size dwellings. All in all, inclusive of the work created by the German Railways and the German Post Office, within the space of only one year, a sum of approximately 3,500 million marks has been appropriated for these purposes. In addition to these Reich grants, considerable sums have been put into circulation by various German provincial and municipal administrations. These sums and the capital contributed by private enterprise will likewise help to give an impetus to the general revival.

Naturally, such a gigantic impetus will call for the mobilization of vast financial resources, yet this program has not been carried out to the detriment of the proper conduct of the country's finances. Although it has had to bear this ernormous strain, he German budget of the year 1933 showed no deficit, and the balance sheets of other public administrations have been considerably improved, particularly by the reduction in the amount appropriated for unemployment relief, by an increase in the tax revenue, and by the conversion of municipal debts. And what is still more significant, the appropriation of the requisite sums for work-creation has in no way imperiled the currency.

Aside from the important aspects of those tasks of last year's program that have now been taken in hand, still further favourable prospects are opened up for the labour market in the coming year by the vast scheme for the construction of the Reich automobile roads. Then again, there will be a continuance of the other measures which have hitherto proved their practicability in the fight against

unemployment, such as public emergency work, agrarian aid (the employment of urban youths of both sexes on farms) and voluntary labour service. A sum of several 1,000 million marks has been appropriated for these purposses. The financing of the schemes has already been assured, by an investment exceeding by more than fifty per cent that of last year. This justifies the hope that the unemployment figure will sink below the two million marks in the course of this year and that in the summer of 1936 at the latest, Germany will be left with only a few hundred thousand workless.

7.

## Foreign Trade and the Transfer Problem.

It will be apparent from the foregoing pages that Germany's financial and industrial policy is confronted with a threefold task: 1. To pay the foreign debts, 2. To import raw materials to supply industry, especially in view of the augmented demands arising out of work-creation projects, 3. To keep the mark stable.

In the false prosperity of the rising conjuncture of former years, that was brought about by foreign loans, it was a great blunder to place internal and foreign debts on the same footing, in the belief that there is no national economy, but only a world economy. The difference is very considerable, however. If, for instance, within the domain of national industry, a German bank loans out German money, the eventual losses cannot exceed a certain amount, because the values created within the limited domain of this economic unit will always find a new valuation. The business of a country is run throughout on the same currency, and the exchange of capital from one undertaking to another cannot bring it any disadvantages. But if, on the other hand, the loaned capital originates abroad, the position is entirely changed since the creditors will demand that their loans be paid back in their own currencies. In order to obtain the necessary foreign exchange, the debtor country has to export its goods, unless it resorts to the dangerous expediency of using up the reserves needed for covering its note issues. But this necessity to export clashes with the interests of the business community of the creditor country, since an increased import, provided it is not raw materials, constitutes a danger to the domestic production. That is why, actually, all countries have adopted measures to combat such an

import trade, thereby making the re-payment of Germany's foreign debts practically impossible.

The national socialist State has taken its stand upon a recognition of this impossibility, whereby it regards as its primary task the maintenance of the vital forces of the German people, not only for the time being, as was done by the earlier system of government, but also for the future. Under the previous regime, it was a matter of indifference to the State whether a firm facing bankruptcy because of its inability to meet a foreign claim was a German or a foreign firm. The present government intends to do everything to prevent German firms from going bankrupt under such circumstances; it intends to prevent foreign capital from obtaining to firm a footing in the German domestic market, and it is convinced that the fulfilment of a debt service can be realised only by a commensurate export of goods.

But this export trade has greatly declined, unfortunately. By the end of the year 1933, more than mine tenths of the German export encountered special obstacles in the shape of tariffs, import prohibitions, currency depreciation, and so forth. Compared with the year 1928, the volume of goods exported by Germany had sunk 45 per cent and more than 60 per cent in value. This falling off became more marked in the course of the current year: The export surplus which had always been positive since 1929 and which had reached the gigantic figure 2,872 million marks in 1931, has become negative throughout the first five months of 1934, amounting on an average to about 36 millions per month. In these circumstances, how can the foreign creditors (particularly America, France, Great Britain, Holland, Switzerland and Sweden) expect that Germany should pay out each year 433 million marks on long-term loans, 289 millions on short-term loans, that is, in all, 722 millions in interest payments, aside from the 211 millions for the annual re-payment services[1]).

The position is still further aggravated by the fact that Germany is obliged to import raw materials for her industry and agricultural industry. An import blockade on foodstuffs which amounted to 498.7 million marks in the first 5 months of the year 1933 and to 426.2 millions in the same period of 1934, would indeed represent a substantial restriction, since the import of many classes of foodstuffs

[1]) The approx. 1,300 million marks at the time of the bank crisis of July 1931 have, in the meantime, as a result of repayments and particularly as the result of the depreciation of the dollar and the pound, been reduced to the above sum.

and provisions cannot be replaced by domestic products, and an import blockade on raw materials would bring a greater part of the industrial life of the country to a standstill. Proof of this is furnished by the fact that the German textile, iron and rubber industries are almost entirely dependent upon import. The same can be said of the leather, fur, glass, electro-technic, tobacco and margarine industries, and, to a certain degree, of the machine-construction and automobile industries. Further, it is as well to point to the dependence of practically all industries and the entire transportation industry on mineral oil imports. This is shown quite clearly by the following figures: e. g. Germany's chief imports were:

| | 1933 (Jan—May) | 1934 (Jan—May) |
|---|---|---|
| Cotton | 121 | 137 mill. marks |
| Wool | 117 | 222 „ „ |
| Flax, hemp, jute | 26 | 33 „ „ |
| Furs and hides | 74 | 89 „ „ |
| Mineral oil | 47 | 52 „ „ |
| Iron ore | 23 | 30 „ „ |
| Copper ore | 2 | 2 „ „ |
| Copper | 38 | 58 „ „ |
| Zinc ore | 1 | 2 „ „ |
| Zinc | 8 | 14 „ „ |
| Tin | 11 | 18 „ „ |
| Rubber | 9 | 19 „ „ |
| Total: | 477 | 676 mill. marks |

In the face of these figures which prove, not only the important part played by the import of raw materials, but the increase under this heading during the past year, it is not possible to imagine that Germany could get along without these imports by relying on substitutes, as during the war, and not suffer from the same kind of want and shortage. The considerable increase in the import of raw materials that has occured in recent months is notable in particularly important branches of industry. Take the import of one class of textile material, for instance: the import of wool in January, 1933, amounted to 25.3 million marks; in the same month of this year it was 42.8 million marks. The difference is still greater for February of this year: last year it was 23.8 million marks against 51.5 million marks for the current year. Considering the official figures on the import of

raw materials and semi-manufactured articles, one will observe that the German imports under this category increased in January 1934 by 19 million marks over the figure for the corresponding month of the previous year. This difference has swollen to 38 millions for the month of February. This was, of course, a good sign from the viewpoint of the recuperation of German industrial life, but it was at the same time a warning, for it meant that the Reichsbank would have to take precautions that its reserves of foreign exchange did not become exhausted. This was all the more imperative in view of the fact that over the same period of time (comparing January and February 1934 with the same months of 1933) the German export of manufactured goods underwent only a slight increase from 103 millions to 112 millions. This plainly meant that the sales of German manufactured goods in the world's markets no longer brought in sufficient foreign exchange for the purchase of the desired raw materials.

This state of affairs compelled the German government to pass a new law on March 23, of this year, which gave the German minister of economy the right to control and regulate the trading in raw materials. The minister has now translated this law into practice by issuing an ordinance which, although allowing a short time of grace, virtually prohibits the purchasing of textile raw materials and semi-manufactured articles. Simultaneously a second ordinance was issued which prohibits the purchase of electro copper and refined copper, and thus runs parallel to that on textile raw materials. It also places a ban on free trading within Germany in these goods. Furthermore, four ordinances were issued for controlling all dealings in cotton, wool, fibrous goods and non-precious metals. Parenthetically it may be added that these governmental measures were in part misunderstood abroad, and it was contended that they originated in a determination to re-arm and thus to amass huge supplies for armament purposes. Just the contrary was the case: it was not the object of the ordinances to encourage the accumulation of supplies within Germany bu merely to portion out the existing German supplies as equally as possible and to see that no accumulation of goods, especially of textile raw materials, occurred in those industrial quarters where they might be bought up or used for speculative purposes while other quarters were suffering from a shortage of the same materials.

The main reason for this control of the supply of raw materials is bound up with the political aspects of the foreign exchange situation and the position on the labour market. Everybody knows by now

that Germany has a shortage of foreign exchange. At the end of the year 1931, the Reichsbank holdings of foreign exchange within Germany were worth the considerable sum of 1,100 million marks, a sum that was reduced during the course of the year to 920 millions. At the end of June 1933, the government had 274 million marks worth of foreign exchange at its disposal, and 414 millions at the end of October 1933. At the end of December, the foreign exchange holdings were down to 396 million marks, and the Reichsbank return for the month of March gave only 262 millions, thus registering a loss of 134 millions in a little under three months. The gold and foreign exchange coverage at this time stood at eight per cent. In full recognition of this situation and of the fact that, partly for speculative reasons, especially in the field of textile raw materials, rather large sums of money had gone out of the country, the German government, as State Secretary Posse of the ministry for economy told Berlin correspondents of the foreign press, saw itself obliged to intervene in order that the available holdings of foreign exchange be apportioned in the best interests of German national economy.

Another aspect of the matter has been set forth by the Reichsbank president in a statement published in the Rhein-Mainischen Wirtschaftszeitung.

In this statement, Dr. Schacht confirms what we have said on the question of foreign trade and its close connection with the abovementioned third task of Germany's financial policy, namely, the retention of a stable currency. The Reichsbank president said that the very nature of Germany's economic structure demands a big foreign trade. In face of its limited resources of raw materials, when the whole matter was reduced to the last analysis, there are for Germany only two possibilities: either to renounce its present standard of living or to obtain additional raw materials from the outside world. The vitality, the joy of living and the national dignity of the German people forbid the first course. But the choice of the second course means that the import of raw materials will have to be paid for by a commensurate export of manufactured articles. Not only is Germany in every way capable of pursuing this course: this is exactly Germany's goal. The diligence and skill of German workers, technicians, scientists, engineers, merchants and entrepreneurs, the production possibilities built up by generation upon generation, indeed, even the geographical position and climatic conditions of Germany point with compelling force to the need for an exchange of goods with the rest

of the world. Millions of its toiling population depend entirely or partly, directly or indirectly, upon foreign trade. The energetic furtherance of this trade remains in the long run a factor of supreme importance for the task of defeating unemployment.

World trade has declined between 1929 and 1933 from 277,000 to 96,800 million marks annually, and in the same degree German foreign trade has declined from 26,100 to 9,100 millions. An explanation for this: is easy to find the financical policy of the post-war period and particularly the madness of the reparations, has been so greatly at variance with all sane business ideas, that it was bound to end in a catastrophe of world-wide dimensions. But this collapse might have been overcome a long time ago if not a second and equally unpardonable blunder had been committed. Instead of getting at the core of the whole problem of the depression, namely, the international indebtedness, the two countries which, as we have stressed, play the leading role in world trade, Great Britain and the United States, took the fateful course of resorting to a depreciation of their currency. Sound currencies constitute the foundation of all exchange of commodities and, over and above this, are essential for the furtherance of all real economic and cultural evolution. It is a state of affairs at variance with all reason when a business-man engaged today in selling goods abroad, does not know the value of the money he will get when his demands are met. In such circumstances, the world trade decline is not at all surprising, indeed, it is rather astonishing that world trade is still kept alive amidst such an international confusion of the currencies.

Reichsbank president Schacht went on to say that "Germany absolutely refuses to imitate such methods as will be untenable in the long run. Germany has no currency problem, but a transfer problem only, and this problem must be and will be solved in a fair manner. The Reichsbank is perfectly well aware how very difficult it will be for our foreign trade in these days to put up a fight against the currency depreciations abroad. The Reichsbank has also gone deeply into the whole matter with a view to seizing every possible chance of improving the export trade."

Certain German export circles are known to favour the view that it will not be possible to maintain Germany's export trade without resorting to a depreciation of the mark. It would certainly be wrong to foster the export trade to the extent of neglecting the do-

mestic market. But he German import of raw materials cannot be increased in favour of the home consumption, unless at the same time an increased export pave the way for the accumulation of foreign exchange necessary for the purchase of such raw materials. There is therefore no question at all of the mark's depreciating because, 1) the German export trade is mainly based on the high-grade treatment of foreign raw materials which would immediately become much dearer if the mark were allowed to depreciate (it was fundamentally otherwise with England, which is able to obtain all its requisite raw materials within the empire), 2) the great sacrifice which a mark depreciation would entail would be of little avail, seeing that the shrinkage in the volume of world trade, having quite other causes, would not be done away with, and Germany's share of this restricted world trade would not thereby be increased above the normal amount in view of the fact that neither Great Britain nor the United States of America has stabilized its currency and could thus immediately respond with a further depreciation. On the other hand, the German system of additional exports with the aid of the blocked marks, cheap German foreign bonds and scrips, will continue to enable Germany to get back a certain amount of the trade that was lost in consequence of the depreciation of the pound and the dollar.

8.

## The Transfer Conference.

On April 27, the representatives of Germany's creditors to the medium and long-term debts met the representatives of the Reichsbank in a conference held in the Reichsbank building in Berlin. The object of this meeting was to find a concrete solution for the problem of Germany's foreign indebtedness. Dr. Schacht took this opportunity to broadcast a speech wherein he pointed out the sheer impossibility of any further transfer of money from Germany into foreign creditor countries.

The problem of the long-term German debts had been the subject of international deliberations in July and December of the previous year as well as in January of this year. But whereas the former meetings were confined more or less to a discussion of the special interests of the debtors and creditors, this new gathering was intended to take the form of an international conference on a wider basis.

The main question which came up for deliberation was how to find ways and means of transferring the German debt services into foreign currency and to discover a method of overcoming the disturbances caused throughout the world by this transfer problem.

Despite all hindrances, up to June 1933, Germany had managed to meet all its obligations to the outside world and had paid these debts in full in foreign money as they fell due. From this moment, however, the payments had to be curtailed. In the course of his speech, Dr. Schacht declared that "owing to the circumstances already described, a continuation of the hitherto partial fulfilment in foreign money is now no longer possible. It would be the object of the conference to discover ways and means for relieving the situation."

"But relief", he contended, "can come only from two quarters: the one possibility is an increase of the German export trade by a revival of world trade, the other in a preparedness on the part of the creditors to meet our demands concerning the rate of interest, the postponement of the debt liquidation and the adoption of similar measures."

As the former Italien finance minister, De Stefani, said in a statement published in Corriere della Sera, one cannot deny that Hjalmar Schacht has the advantage of having presented his case with a telling, even if brutal, sincerity. A French writer remarked that when Schacht begins to speak the creditors get the creeps. His declarations were therefore no surprise. The creditors have received confirmation of just what they expected, nothing more or less, and they have taken good note of it. There was nothing else to do about it. The Reichsbank president said, in other words: "Gentlemen, if you want to be paid in marks, that is, in the currency of this country, I am prepared to do so; but if you want payment in foreign money, you will have to wait because I haven't any. My country has no golden mountains. Gold is a currency of international citizenship, but Germany does not produce it. It has no foreign exchange bills and no foreign loans to use for this purpose. The little bit we possess we need ourselves in order to purchase raw materials and to pay for these imports. In short, you will have to wait. Later on, you may call again. In the meantime, let me assure you, I shall set aside all the available money that comes into my account for the purpose of meeting our debts and respect all future obligations and remit the sums punctually in German marks."

Harsh words but they are the fitting expression in ancient Roman style of a doctrine according to which the interests of the public at large is supreme law.

As is generally known, the transfer conference was wound up on May 29 with a declaration by the British, French and Swedish delegates that they were prepared to recommend to their respective governments, under certain conditions, the acceptance of the offer of the Reichsbank for the transfer of the interest on Germany's long-term and medium-term non- Reich debts for the period from July 1. 1934 to June 30. 1935. The Swiss delegation did not give its assent to the offer, the Dutch delegation likewise refused to accept it, and the American delegates came out with the declaration that they had participated in the conference solely on the basis of he statements contained in the communiqué issued at the conclusion of the January conference, namely, "no discrimination in favour of the creditors of any one country and nullification of separate agreements". The Conference was not without a certain success as, a few weeks later, individual agreements on interest-transfers were entered upon with Great Britain, on July 4, with France, on July 28, and with Switzerland, on July 26.

9.

## Transfer payments and imports — a question of Germany's ability to export goods.

The regulation described above merely constitutes a breathing-space in the question of Germany's foreign indebtedness and still leaves the solution of the transfer problem quite open. Consequently, the German government deemed it necessary, on June 15 of this year, to send a note to the capitals of the countries involved, setting forth the foreign loans of the German Reich (Belgium, France, Great Britain, Italy, Holland, Sweden, Switzerland and the United States of America). This note bore the character of a transfer moratorium.

In keeping with the previons circumstances that led up to this radical action, the note again verified the fact that Germany intends to pay its debts but that this is possible only to the extent in which the outside world, in other words, the creditor countries, will open up additional markets for German export. If they do not intend to this,

or if they are unable to do this, they cannot at the same time put forward the impossible demand for an unalterable continuation of the transfer services. Because all hopes in the collaboration of the outside world have so far not been fulfilled, and because the transfer conference has also not been able to find a solution for the problem, the German government sees itself compelled to double its efforts to keep its trade balance and its foreign exchange balance active. Consequently, in the first place it sees itself obliged to restrict imports as much as possible in order to be able to pay for at least the requisite imports and, as far as humanly possible to go on remitting the debt services. But the solution of the German transfer problem depends, as we have already indicated, very largely upon the degree of willingness of the creditor countries to open up their markets for German commodities.

In adopting these economic measures of its own, the German government has done everything within its power to find a solution. For the rest, the German debtor continues, as before, to pay punctually in German marks. The determination to pay and the honesty of the debtor are therefore quite above dispute. But for the continuation of the transfer services Germany, as the creditors have themselves admitted, needs a breathing-space.

These basic principles set forth in the German transfer note do more than anything else to throw a light upon Germany's financial situation in relation to the outside world. At the outset, we pointed out that, between the years 1924 and 1930, a stream of foreign capital flowed into Germany. This enabled Germany to meet the debt services on its commercial foreign debts, to augment its supply of gold and foreign exchange from 2,100 millions to approximately 3,000 millions, to pay reparations and to adjust the import surplus of its trade balance. Only about 50 per cent of the equivalent value of this foreign capital has worked out to the benefit of German industry. But Germany had to take over the strain of meeting the interest services and the repayment of all this foreign investment capital. German trade was brought face to face with the task of forcing its export and reducing its import from year to year in order to obtain upwards of 600 million marks worth of foreign exchange required for the foreign debt services. This represented a drain of 10,300 million marks. All the same, Germany never defaulted on these loans. On the contrary, it has continually made efforts that are without parallel in history. It has practically sacrificed the entire

Reichsbank reserves of gold and foreign exchange (which amounted to about 3,000 millions at the end of 1930) for this purpose. This reserve has fallen on June 12, 1934, to 108.9 million marks, that is, practically to the zero point. The note coverage, which was 56.2 per cent at the end of 1930, is at the time of writing down to a mere 2.8 per cent. Yet on the other hand the note circulation has dwindled, on account of the deflationary measures, by about 1.300 million marks, so that on June 12, 1934, it was down to 3.486 million marks.

These figures are more eloquent than words and should serve to convince every neutral observer of the fact that, if a transfer is to be made possible, Germany must be given a full chance to sell its manufactured articles on the world markets.

The sphere in which Germany can operate abroad in the sale of its ready-made products is a very extensive one:

The German industry producing machinery, apparatus of all kinds and technical instruments has a world-wide reputation and its importance is in keeping with the exceptionally high number of workers it employs, namely, upwards of 2 million. German locomotives and motors, German turbines, dynamos and electro-motors, German printing machines, German metal and timber manufacturing machines, have dominated the world market, and the same may be said of German agricultural machinery and tool-making machinery. Another German speciality is office-equipment machines of all types and categories: typewriters, tabulating machines, adding machines, listing machines and so on. German industry has devoted much attention to the production of household machines such as vacuum cleaners, polishing machines, carpet cleaners, scourers, etc., wherein the good quality of the article stands in competition with low prices.

The German steel industry likewise enjoys a high reputation throughout the world and is able to compete in every respect with the formerly monopolized American, English and Swedish products. We might mention in this connection such articles as shaving apparatus, shaving knives, knives, scissors and so forth.

The foreign automobile industry, owing to its more rationalized and standard production, was able to deliver cars during the war and the first part of the postwar period, much more cheaply than could the German industry. But this handicap has, in the last few years, been essentially overcome, and today the German factories are tur-

ning out automobiles and trucks that leave nothing to be desired either in price or quality and that are quite able to hold their own in the markets. The quality of the German products in the automobile tyre industry is a very important factor in view of the fact that the life and achievement of an automobile or a motor-cycle depends to a certain extent upon the quality of its tyres. This production has now reached an output of 13 million outer coverings and inner tubes for cycles and two million for automobiles. A method has already been discovered for producing high-grade artifical rubber from lime and coal.

Let us turn to another branch of production, to the German clothing and fashion industry. With its 2.6 million designers and workers and with a total electric plant of 1.4 million h. p., Germany possesses one of the most productive textile industries in the world. It is no longer necessary to go to London to buy a first-class suit. On a level with this achievement are the products of the German silk, velvet and woven goods' industries, the products of its artificial silk and linen industries as well as its carpets, curtains and laces, the latter giving employment to thousands of home-industry workers. A word should also be said in this connection about the German fashion and hat industries: the German felt hat has won a position for itself abroad and dominates several markets that were formerly held by the English and Italian products.

Furthermore, Germany has a highly-developed leather and footwear industry which had already established for itself a dominant position in the pre-war years.

It would be superfluous to go into detail about the German chemical industry. It retains its leading place on the world market. Organic chemistry and technical invention has brought about tremendous results in this sphere. Whereas the chief chemical industry mainly concerns itself with the production of materials for the supply of other industries, the factories are able to turn out a great many other products, such as scents, essences, medicaments and thousands of other preparations. The index of the importance of this branch of industry is apparent from the number of workers it employs: prior to the war it was about 300,000 and to-day has reached about half a million. When fully employed it is able to export goods to the value of 1,400 million marks.

A classical instance of the quality and precision of German articles is furnished in the sphere of optics and fine mechanics. The

names of numerous German firms enjoy a world-wide renown and their articles can be regarded as a German speciality.

Another branch of German industry has come very much to the fore during the last few years. This is the radio industry which includes the production of everything from broadcasting apparatus to receiving sets, loudspeakers, etc.

Upwards of half a million persons are employed in the German paper and printing industries. A third of this industry is located in Saxony, the remainder in Bavaria, Baden, the Rhineland and Silesia. Everybody knows that Leipzig is the world's centre of the printing trade.

Germany is also the land of origination of the European pottery industry and in this sphere still retains the lead, particularly in the porcelain industry.

In the timber-manufacturing industry, the joinery trade and, in particular, the furniture-making branch, occupy first rank, followed by the toy-making industry which has also aschieved world renown.

German wines and beer enjoy a high reputation in all parts of the world.

*

In view of this high achievement of the German manufacturing industry, it is more than deplorable that this export, which amounted to 78 per cent of the total German export in the year 1933, and which has even been able to maintain its export position during the years of trade depression, should show a falling off. In point of fact, in the year 1929 this export was worth nearly 10,000 million marks, but the decline of the volume of export since the beginning of 1932 has brought this figure down to 3,790 millions for the year 1933. The months from January to May 1934 brought a further shrinkage to 1337 million marks as against 1556 million marks in the same period of the previous year. This shrinkage since 1932 has its origin in the dwindling capacity and desire of the outside world to import German goods; for lack of purchasing power, the agrarian and raw-material countries could purchase only a fragmentary part of what they did formerly, consequently the industrial countries had to reduce their purchases which are dependent upon the division of labour. Added

to this was the fact of the increasing tendency in the direction of economic self-sufficiency, the closing of vast economic areas, the denunciation of commercial treaties, evasion of most-favoured-nation agreements and the adherence to a quota policy in the exchange of goods as well as, what we have already stressed, the formation of a bloc of countries that have left the gold standard, countries which formerly took large quantities of German goods. In certain countries, the willingness to take German goods has been considerably affected by a boycott.

Is it not stupid to bring about everywhere an over-production of goods and then to seal oneself hermetically within high tariff walls and — last but not least — to have recourse to the destruction of tremendous amounts of valuable goods, simply because a plan for the proper regulation of international goods exchange cannot be rendered possible?

What tremendous quantities of foreign products and raw materials, such as Germany cannot produce itself, might be sold to Germany provided the purchasing power of German industry were strengthened by the purchase of its quality articles. The Reich, too, would then be placed in a position to buy the requisite raw materials for meeting the most urgent demands of its industries and national food supply. It is therefore a very shortsighted policy to boycott German goods or to have recourse to other measures directed against German industry (Clearing etc.). The carrying out of such a policy would strike a blow not only at Germany but at international trade in its entirety and it would rebound to the disadvantage of the countries adopting it. A successful boycott would compel Germany to do all within its power to become independent of the outside world, and one can rest assured that should the national socialist government resort to such a radical step, it would be prepared to stick to such a course to the very utmost and call in to operation the inventive talents of its scientists and the skill of its industry for the creation of substitutes.

The great speech which Adolf Hitler delivered before the Reichstag on July 13 has served to banish all doubt in this respect, for he announced that "if the German trade balance should become passive as a result of the economic barricading of foreign markets or the political boycott, then, thanks to the skill of its inventors and chemists, Germany by sheer determination will find a way of making

itself indepedent of the import of those materials which it can produce itself or for which it can find a substitute".

Germany wants, as Adolf Hitler insisted, "peace at home and abroad". The speech of his representative, minister Rudolf Hess, delivered at Königsberg on July 8 of this year, furnishes a clear and emphatic explanation of this desire. Yet Germany would see itself compelled to offer defense in an economic and military sense if it were attacked in any way.

It is, moreover, beyond question that should such a development occur, the disadvantage would in the long run be less for the German people than for a large number of foreign countries which are largely dependent upon the sale of raw materials on the German markets.

There is therefore only one slogan:

**Buy from Germany if you want her to pay and buy from you!**

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